

# TOKYO GAZETTE

A MONTHLY REPORT OF CURRENT POLICIES,  
OFFICIAL STATEMENTS AND STATISTICS

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The material in the TOKYO GAZETTE is selected mainly from the *Weekly Report*, edited by the Bureau of Information. The accuracy and comprehensiveness of data presented in the *Report* are fully established. For the benefit of students of Japanese affairs, the TOKYO GAZETTE is endeavouring to maintain these qualities in the hope that its publication will eliminate unfortunate misunderstandings and thus contribute to world peace and international goodwill.

## PRICE CONTROL

DEPARTMENT OF COMMERCE AND INDUSTRY

THE nature of modern warfare and the place of national economy in it have been explained fully on all relevant occasions. The control of prices is a wartime measure of great importance in preserving the nation's economic strength.

After the outbreak of the China Affair in July, 1937, commodity prices in Japan, which had been stabilized for some time, rose sharply. This rise has been different in nature from rises that have taken place in the past as a part of world price movements. In Japan at present, prices not only of raw materials but also of the necessities of life have gone up, contrary to the current world trends toward lower prices.

The harmful effects of an exorbitant price increase can easily be envisaged: difficulty in carrying out Military Estimates, depression in the export trade and the collapse of national economic life will inevitably occur. If, owing to increases in prices, Military Estimates cannot be executed as planned, not only will military operations be hindered but the foundation of wartime finance will be imperilled. And if Japan's internal price level is higher than that of the international market, her commodities will lose ground in their advance into overseas markets, resulting in a depression in national economy. Moreover, if prices of commodities in general and of necessities of life in particular increase to such a degree that the people cannot maintain even the minimum standard of living, undesirable developments in the direction of social unrest may take place.

Such being the far-reaching and serious consequences that price increases may cause in national life, the Government is striving to carry out effective measures in the direct and indirect phases of price control.

Indirect measures are more basic in nature than are direct measures; they are directed mainly to adjusting supply with demand. Here the Government is trying to absorb purchasing power in the hands of the nation, to prohibit non-urgent and unnecessary consumption, and to adjust supply and demand of important materials, especially of those for munitions, failure in which relation has recently played an important part in price increases. To deal with these matters the Temporary Materials Adjustment Bureau has been created.

As for direct measures, they are more in the nature of emergency steps. Let us trace their development. With the aggravation of the China Affair, the Government determined, in August, 1937, to deal drastically with those resorting to the cornering and holding back of materials and other profiteering practices by intensifying the Anti-Profiteering Regulations. With the development of the new situation, the Government created its Price Commission, in April, 1938, with the view of framing for the first time a policy with prices as its direct objective. This Commission, though an advisory body, in view of the important nature of its functions such as dealing concretely with price adjustments and in view of the powerful organization of its membership can be expected to report favourable activities as can the Temporary Materials Adjustment Bureau. In reality we have already seen the beginnings of such activities. The question of the future course of governmental action in regard to this vital problem of national economy can be best explained, therefore, by placing the activities of this Commission at the centre.

### **Organization of the Commission**

The Price Commission was established by Imperial Ordinance No. 276 promulgated on April 22, 1938, with a view to investigating and studying important matters concerning commodity prices. The Commission consists of central and local commissions. The Central Commission is established within the Department of Commerce and Industry, and is composed of members appointed from among senior officials in governmental institutions concerned and men of expert knowledge and experience. The Minister of Commerce and Industry is the ex officio president. The first task of this Commission has been to make recommendations regarding concrete measures for curbing price increases. In its operations the Commission is sub-divided into the first special committee which investigates and studies common measures to be applied to various materials and the second special committee which takes up measures to be applied to different materials individually. Accordingly, the first special committee is studying concrete measures concerning adjustment of general and governmental consumption, ensuring of supply, improvement of distribution and transportation, relations with the National Spiritual Mobilization Movement, and other important matters, thereby conducting investigations with regard to the basic factors in price policy. The second special committee is working on the selection of special goods to which price measures should be applied under prevailing circumstances, on the selection of expert committees to be created

immediately, and also on policies regarding the fixing and standardizing of prices as well as their execution, supervision and control. Relations between local price commissions come under the function of the second committee. As to the expert committees mentioned above, provisions are made for their creation to take care of cases where investigations may cover matters requiring expert knowledge on different materials, so that adequate and feasible measures may be framed. At present there are expert committees on fibres, food-stuffs, chemical-industry materials, metals, fuel, miscellaneous goods, housing and transportation expenses, and transportation service.

Local Price Commissions are established in every prefecture under the presidency of prefectural governors, functioning within the prefecture for the inspection and supervision of prices in accordance with decisions of the Central Commission as well as for studying and investigating concrete local measures to check price increases. Thus, Local Commissions are expected to cooperate with the Central Commission. All these commissions and sub-committees have already taken appropriate and effective steps along the lines described.

### **Standard Price Level**

What is then the standard level according to which the Government is checking rises in prices? This question has to do with the basic factor determining the nature of price control, and at the same time presents the most controversial aspect of the policy with which the general public is much concerned.

Price control policy should be framed and carried out in Japan on the basis of maintenance of the current rate of exchange and of control of prices of the necessities of life at their current level. This point is clearly made in the recommendation of the second special committee, which reads :

The object of curbing price increase lies in controlling prices below the limits at which the present rate of exchange can be maintained so that the supply of materials for munitions may be ensured and exports be promoted, and at which the economic life of the nation can be stabilized in such a way as to conform with the requirements of current circumstances.

### **Methods of Price Control**

To control prices with the above-stated objective in view, steps should be taken with regard to currency, supply and demand, and official or standard prices. Of these steps the fixing and standardizing

of prices may need further explanation, as it involves many difficult practical questions. Here, decisions must be made most carefully, either considering goods by themselves or in classes and always considering individual cases. The basic principles which have just been defined, however, should always be adhered to. Accordingly, in cases of import goods the import prices, in cases of export goods overseas market prices, and in cases of necessities of life and other home products current prices should be adopted as standard, with all prices kept to the level which prevailed prior to the China Affair. These official or standard price measures should be put into operation in production, wholesale and retail trade, and all other phases of industrial and commercial activities. In order to ensure the successful execution of these measures, however, the manufacturers and traders should be led to adapt themselves to the governmental steps by organizing manufacturers' and traders' associations and taking other necessary steps.

### **Inspection and Supervision**

In spite of all the measures for curbing price increases and realizing equitable prices, price control may fail should there be profiteering in actual transactions and irregular violations of official or standard prices. The inspection and supervision of prices, therefore, becomes a matter of cardinal importance in carrying out the policy. The extremes of stringency and leniency either cause injury or defeat the purposes of the measure. The following steps have been designed to ensure impartial execution of the new measures: 3,000 investigators are to be placed throughout the country to investigate market prices, with a view to collecting various data necessary for supervision; dealers in staple goods are to report regularly on amounts and prices of transactions and on amounts of stocks; prefectural officials, including police officers, are constantly to inspect stores, warehouses, and other places on the spot; market prices are to be indicated publicly; selling at fixed prices is to be encouraged; and the price control policy is to be expounded through radio broadcasts and other educational means.

## AN APPEAL TO THE NATION

—On the Occasion of the First Anniversary of the  
China Affair—

PRINCE FUMIMARO KONOE, PRIME MINISTER

ONE year has elapsed since the incident near Marco Polo Bridge on July 7, 1937. At the outset, Japan, acting under the policy of non-aggravation, tried hard to settle the matter locally. The Nationalist Government, however, wantonly betrayed Japan's sincerity in every step of the negotiation and has recklessly aggravated the situation under the slogan of prolonged resistance to Japan. It is extremely regrettable that the incident developed into the major hostilities in which we are now involved. At present, our hearts are filled with emotion when we call to mind the actual fact that the flags of the Rising Sun are floating over a vast area on the Asiatic Continent as the result of the successful operations of the Imperial forces, which have carried everything before them.

For this significant achievement, we owe all to the heroic struggles of our compatriots in the fighting services acting under the august virtue of His Imperial Majesty. Taking the opportunity afforded by this occasion, I wish to express to them my deepest gratitude on behalf of the entire nation. At the same time I cannot but think of those who have died in action in a strange land. The thought of those departed heroes and of their noble deeds makes my heart heavy with regret and grief.

Through their masterly plans of operation and the hard fighting of their loyal officers and men, the Imperial forces have won victory after victory so that the days of Hankow are now numbered. As all of you know, the Chiang Régime is such a Government that deliberately drowns thousands of innocent people of its own country by breaching the dikes of the Yellow River. It is against the laws of nature and man that any individual or group that commits such an outrageous act should be allowed to exist. The Chiang Régime, therefore, should have gone out of existence long ago, but for its efforts to maintain political power at the expense of the welfare of the populace and by relying upon the support and assistance of third Powers.

Among the Powers there are some which, in appreciation of what Japan stands for, are aligned with her in the fight against Com-



munism. There are others which, failing to comprehend the true intentions of Japan, are active in efforts not only for safeguarding their existing rights and interests in China but also for acquiring new concessions there. There may also be a Power which, knowing the utter helplessness of the Nationalist Régime, is assisting it in the hope that by so doing Japan may be brought into exhaustion of resources, a state of affairs which can easily be taken advantage of.

Such being the grave situation our country is now confronting, the nation should be reminded that it is no time for being elated with present victories or even being at ease. The present conflict is simply and rightly called the China Affair; but it in no way precludes us from thinking it in terms of the complicated international relations existing in the background. It should be noted that the Chiang Régime cannot be regarded as the only objective of our action. Every member of the nation is accordingly requested to meet the situation by understanding its background.

In modern war, the term battle-field cannot be applied only to the place where guns thunder and bullets shower, nor the term soldiers only to those who bear arms. Once hostilities have broken out, the whole territory of every belligerent nation should seriously be considered as the very battle-field, even if the armed conflict is taking place beyond its frontiers and across the seas. In our present case, therefore, the entire population, regardless of their occupations, age and sex must stand firm on the common consciousness of being soldiers, without which there can be no success in tiding over the present crisis. Modern war, again, cannot be won by armed conflict on the battle-field alone; economic and spiritual warfare form powerful factors in deciding the outcome. Consequently, achievements by the soldiers at the front, however significant they may be, cannot by themselves bring about the final victory should there be any slackening in the spiritual life of the "soldiers" at home.

The issue to be determined by war is victory or defeat. It follows, then, that we must have victory at all costs. In the history of Japan, an Empire which is characterized by a unique national polity firmly established under the Imperial Throne occupied by a single dynasty from time immemorial, not a single defeat has ever been recorded. If, therefore, we fail to win a victory in the present Affair we shall certainly be bringing dishonour not only on our forefathers who have created our glorious history but also on our posterity who will make future history. We are required to unite ourselves perfectly in thinking and action with our compatriots at the



front and to complete the mobilization and reorganization of all phases of national life, spiritual as well as material, with a view to gaining the final victory. Until this end is gained, hardships and privations may visit the life of the nation; in order to replete the fighting services with munitions, national life in general may be subjected to manifold inconveniences. We are requested to endure those adversities in remembrance of the fact that our fellow men on the China front are offering their lives for the national cause. Is it not then the duty of those at home to exert themselves at all costs in the task of consolidating the home front? The Government will not force the nation to make sacrifices blindly. What we desire is that by personal sacrifices we may prevent the recurrences of similar conflicts in East Asia and that by fighting to the finish we may eliminate the possible development of sinister designs of third Powers, thus laying the foundation for enduring peace in that part of the world.

Of the 400,000,000 people of China, there exist large numbers of intelligent and sincere leaders. These leaders have organized, in place of the Nationalist Régime, the new Governments in North and Central China, both of which are functioning successfully. Japan has, by all means, to assist these two Governments which are sincerely hoping to collaborate with Japan, with the view of building up the unshakable foundation for the peace of East Asia.

These favourable developments in the situation in North and Central China, however, do not minimize the gravity and complexity of the general situation created by the Chinese attitude of prolonged hostilities. This is why cries have been raised for a united front formed by the entire nation and why national mobilization is urgently called for. What, then, are the united front of the nation and national mobilization? Mere words and external forms have little import here. Nor has the mobilization and calling together of large numbers of men to do with national mobilization. If, on the other hand, the whole nation, men and women in all walks of life, exert themselves all the more in their own places of duty, then and there will the organization of the united national front be completed. This type of union and service is stronger and more effective than any other efforts along the same line. Briefly, every member of the nation is expected to give full scope to his or her ability, technique, knowledge and talents. The Government will carry out various control measures from the point of view of comprehensive, higher national purposes and will simultaneously look forward to improvement and development in individual lives of the nation.

I desire to remind members of the nation once again on this

memorable occasion that we have just embarked upon a conflict of unprecedented magnitude, and that for carrying through its ultimate purpose the State is relying on their determined, untiring and cooperative efforts. And I appeal to their serious thinking that they will answer this summons in their respective posts of duty, even in the face of insurmountable difficulties. Failing this, the crown of victory will never be won, nor the ideal of a peaceful and prosperous East Asia be realized.

## HEALTH INSURANCE FOR INDUSTRIAL WORKERS

### BOARD OF INSURANCE

**J**APAN'S present health insurance system was created on January 1, 1927 as a forerunner of social insurance, affecting two million industrial workers. During the 11 years which have elapsed since then, difficulties of varying degrees have been encountered in operating the system, but with the understanding and cooperation of employers, the insured, insurance physicians and all others concerned, health insurance has developed satisfactorily. Now, the number of workers insured exceeds 3,700,000. Since its creation, the system has served to maintain health, stabilize the economic life of workers in factories, mines and other industrial institutions; it has contributed considerably to the industrial development of Japan.

### Functions of the Health Insurance System

Modern machines have given rise to large industrial enterprises and have created vast numbers of workers. They have gradually caused instability in the living conditions of labourers. Their use has raised the question of protection of workers and all civilized countries have adopted various social measures which have been developed into systems of social insurance for the protection of labour.

Social insurance may be termed a State institution aimed at the protection of workers and small-wage earners when they lose the ability to work owing to illness, injury or decrepitude, or when they are denied the opportunity of working. Those earning small incomes have in general no real property and depend solely on wages or salaries for their living expenses, and when any accident occurs their livelihood at once is menaced; their families are forced into miserable, impoverished conditions. Social insurance is designed to ameliorate such tragedy by giving protection through an insurance system based on the principle of mutual aid.

Health insurance is one phase of social insurance and includes types of insurance against illness, including accident and death. It is a compulsory insurance system applied to workers employed in factories, mines and other industrial institutions or to small-wage earners. Under the system, all workers and small-wage earners who fulfil certain specified qualifications are subject to being insured regardless of their wishes and are obliged to meet a share of the

insurance premiums together with their employers. In cases of illness, injury, or women in child-birth the insured receive medical services free of charge. When, for similar reasons, they are unable to work and have lost the means of gaining an income, they receive allowances instead of wages and salaries. In cases of death, the families of the deceased receive funeral expenses and other allowances.

Thus, the system is designed to overcome uneasiness among workers of limited means with respect to their livelihood. Although it imposes on them the duty of paying insurance premiums, unlike ordinary insurance businesses it does not depend solely on premium receipts to operate. Employers must meet one-half of the premiums, while the National Treasury appropriates operating expenses so that the interests of the insured may be protected. The health insurance system is operated jointly by the Government and health insurance associations which are organized among various business groups with governmental approval. The workers and small-wage earners are insured either with the Government or with the associations.

### (1) The Insured

As has already been stated, a compulsory system is adopted for health insurance in Japan. Voluntary subscriptions are accepted, but the number of insured in this category is very limited.

Those insured by compulsion for the most part become insured automatically from the date of their employment under the Health Insurance Law. Workers employed in certain factories are insured under the provisions of Article 1 of the Factory Law; those employed in factories or workshops are insured under the provisions of the Mining Industry Law; also insured are those employed in factories or workshops where five or more workers are engaged in manufacturing or processing of goods, those engaged in mining, transmission of electricity, and in overland communication and transportation enterprises. The number of workers insured has increased conspicuously recently, keeping pace with the establishment of new plants and expansion of the existing equipment in industrial lines allied with the manufacture of armaments and munitions. At present it totals 3,700,000, of which 2,413,000 workers are insured with the Government and 1,294,000 with the health insurance associations. There are 393 associations. The health insurance system covers nearly all the workers employed in factories, mines and other industries. Its importance will become greater hereafter in view of the growing tendency to extend working hours and to increase labour efficiency in the munition and other industries.

**(2) Payment of Insurance Money**

The substance of the health insurance system is payment of insurance money, the compensation the insurer pays to the insured in case of insurance contingencies. The contingencies recognized under the health insurance system are sickness, injury, child birth and death. In case of sickness or injury, money shall be paid to cover medical and surgical expenses, respectively; in case of child-birth, hospital, wet-nurse and other such expenses are covered; in case of death, funeral expenses are met. These contingencies are recognized whether they occurred while the insured were at work or unemployed.

During 1936, more than 6,740,000 insurance payments were made under the health insurance system managed by the Government, of which 92 per cent was represented by payments for medical treatments and about 8 per cent by payments for surgical treatments, with other payments constituting insignificant ratios. The total number of days for which wage allowances were paid was over 91,360,000, of which medical treatments caused 83 per cent and injuries 13 per cent. The aggregate sum of insurance payments totalled more than 26,860,000 yen. Expenses for medical treatments were 17,440,000 yen or 66 per cent, for surgical treatments 7,390,000 yen or 28 per cent, and for child-births 330,000 yen or 2 per cent.

Insurance payments under the health insurance system managed by the health insurance associations during the same year totalled a little over 4,100,000 in number, of which allowances for medical treatments corresponded to 88 per cent, and those for surgical treatments 12 per cent. The total number of days for which insurance money was paid was over 46,740,000 days, with 80 per cent caused by medical treatments and 20 per cent by surgical treatments. The aggregate sum of payments was 19,010,000 yen, of which payments for medical treatments represented 10,730,000 yen or 56 per cent, and surgical treatments 7,520,000 yen or 40 per cent.

The combined amount of expenditures of the Government and the health insurance associations for payments of insurance money during 1936 reached 45,880,000 yen.

We have seen that allowances for medical and surgical treatments make up the greater part of health insurance payments. The methods and substance of such allowances have a far-reaching influence over the insured, over insurance physicians and surgeons and over the insurance business. Various difficulties are encountered here. It is with these aspects that the authorities take great pains and carry on strenuous study to improve the health insurance system.

Since the enforcement of the Health Insurance Law, under the health insurance system operated by the Government, a contract has been entered into with the Physicians' and Surgeons' Association of Japan covering medical and surgical treatments (excluding dental surgery) for the insured workers on the basis of the per capita rate. Under this contract, the Physicians' and Surgeons' Association gives medical and surgical treatments in cases of sickness and injury of the insured, and places its constituent members in charge of the treatments, so that necessary treatments are given at private hospitals or other medical establishments without delay or hindrance. For these services, the Government at present (the 1938-39 fiscal year) pays 7.60 yen (deducting payments to State and public hospitals and pharmacists) per insured. Besides this payment, the Government makes additional payments of 10 yen in ordinary cases and of 2.00 yen per insured annually in the case of miners who are subject to comparatively higher rates of injuries. The Physicians' and Surgeons' Association of Japan gives the status of insurance physician or surgeon to the applicants among the physicians and surgeons under its control, and places them in charge of treatments for the insured under the Government managed health insurance system. Remunerations to these insurance physicians and surgeons are paid through the Physicians' and Surgeons' Associations of different prefectures, on a basis computed according to the number of cases and kinds of treatments. At present, out of the total number of physicians and surgeons in Japan which reaches more than 33,000, a little over 32,000 are appointed health insurance physicians and surgeons.

In addition to the contract with the Physicians' and Surgeons' Association of Japan, the Government has special arrangements with governmental hospitals and hospitals attached to governmental and public medical universities located at 16 places and also with public hospitals at 41 places, to give treatments to the insured. Furthermore, the Government has a contract with the Pharmacists' Association of Japan under which the insured may receive free medicines from any authorized pharmacist against the prescriptions which he receives from the insurance physician. For the purpose of completing the treatments for tuberculosis patients, in line with the national anti tuberculosis policy, the Government has adopted under the health insurance system a five-year plan aimed at the establishment of sanatoriums with a total of 1,700 beds at different places throughout the country. Construction work has already been started in the three prefectures of Fukuoka, Ishikawa and Tochigi. Each institution will have accommodations for 50 patients.

As in the case of the health insurance system under State manage-

ment, many of the health insurance associations have contracts with the Physicians' and Surgeons' Association of Japan and the associations in different prefectures. However, some utilize medical establishments organized by employers and those under the direct management of the health insurance associations, while others have arrangements with private physicians and surgeons for part time services. In either case, physicians and surgeons are appointed in extensive areas, fulfilling the standard specified by the Government, so that the insured may be able to select their insurance physicians or surgeons freely.

The organization for dental treatments is similar to that for medical and surgical treatments. Both the Government and the health insurance associations have contracts with the Dental Surgeons' Association of Japan and other dental groups in order to assure satisfactory dental treatments for the insured.

### (3) Health Promotion Facilities

While the principal function of the health insurance system is to grant insurance money to the insured, various facilities have been established and operated under the system for the promotion of health among the insured. Promotional facilities operated under the health insurance system managed by the Government include lecture meetings, motion picture performances regarding health and hygiene, lectures on physical education and sports which are held from time to time, institutions giving treatments after surgical operations, and also health insurance advisory stations. Of these facilities, the advisory stations are located at 67 points in different prefectures throughout the country, besides two fairly well equipped advisory stations under the direct control of the Board of Insurance which are situated in Tokyo and Osaka. These stations give advice regarding the health of the insured, vita light treatments, and also conduct Röntgen and clinical examinations. They also give advice regarding the prevention of sickness and conduct investigations. With these activities, the advisory offices have been operating effectively for the maintenance of health and prevention of diseases. With further development in the future, much is expected from these institutions with respect to the maintenance of the health of industrial workers, who are the insured under the health insurance system.

As in the case of health insurance under the management of the Government, the health insurance associations also hold meetings for the purpose of diffusing information concerning health and hygiene. They also have vita light equipment in sanatoriums according



to their financial position. However, the health promotion facilities of the societies cannot as yet be considered adequate, and it is hoped that they may be expanded in the future.

### Problems being Confronted

Primarily, the health insurance system is an important social institution protecting the health and lives of 3,700,000 men and women who, as soldiers behind the lines, are taking an active part in the industrial field of battle. Behind these 3,700,000 beneficiaries, there are more than 10,000,000 family members who are depending on them. Whether the health insurance system can bring about effective results or not, therefore, has a far-reaching influence on the status of the nation's industries and also on the health and hygienic conditions of the whole of the nation, not to speak of the fact that it determines the happiness or unhappiness of the insured themselves. It is for this reason that the organization and methods of operation of this system must be improved. For this reason, the Government strictly supervises and guides the health insurance associations, while making constant and strenuous endeavours to improve the undertaking under its own management. Further action should be taken by it in co-operation with the Physicians' and Surgeons' Association of Japan, in connection with questions involving the improvement of medical and surgical treatment, the betterment and completion of medical facilities and other urgent matters.

Lastly, an explanation should be made regarding the proposition to reform the existing system of health insurance. Under the existing system, the beneficiaries are limited to the insured only; the families of the insured do not receive any allowance to meet the contingencies of sickness or injuries. Viewed from the standpoint of maintaining stability in the economic life of the insured, it is necessary to extend the benefits of the health insurance system to their families. The authorities are, therefore, conducting careful study and investigation of this point.

The Government recently promulgated the National Health Insurance Law, which is to be applied to the people in rural districts, to small traders and industrialists in cities and others with small incomes. This law is expected to be put into operation shortly. The existing health insurance system for the protection of industrial workers, must be reformed so that it may contribute, side by side with the newly established system, to the development of industry and the promotion of the physical well-being of the nation.

# THE CHINA AFFAIR IN REVIEW

## I

### ACHIEVEMENTS OF THE IMPERIAL ARMY

#### PRESS SECTION, WAR DEPARTMENT

The China Affair is now one year old. Provocation by Chinese troops caused the Lukouchiao incident which broke out in the suburbs of Peking on July 7, 1937. The endeavours of the Japanese Government to settle the matter locally and the goodwill and sincerity manifested by the Japanese military authorities to this end were spurned by the Chinese side. On July 28th, the Japanese troops stationed in North China were compelled to launch a punitive expedition against the Chinese 29th Army in and around Peking and Tientsin.

#### **The Chahar Campaign**

Following the successful completion of this punitive expedition, the Japanese forces started a drive on Chahar Province. They occupied Nankow and the Nankow Pass, which forms one of the three famous barriers in China. The Japanese drive was conducted along the Peking-Suiyuan Railway. Investing all key positions along the way, the Japanese took Tatung, a strategic town in northern Shansi Province as well as Paotow, western terminus of the Peking-Suiyuan Railway. Thus the Japanese dominated the Ordos desert across the upper reaches of the Yellow River.

The successful campaign in Chahar Province not only removed the menace in the rear of the Peking and Tientsin area but crushed the Chinese attempts to invade Manchoukuo. It served to cut off the so-called Red Route by which the Comintern, with Outer Mongolia as its base of operations, had been endeavouring to bolshevise North China. An important feature of the campaign was the cooperation of the Inner Mongolian troops with the Japanese forces. The Federated Autonomous Committee of Mongolia which was organized at Kagan some time ago marks the regeneration of the Mongols who have long suffered from the oppression of the Chinese Nationalist Government and also the emancipation of the Asiatic races which have now risen together under the anti-Comintern banner.

#### **The Drives along the Peking-Hankow and Tientsin-Pukow Railways**

The campaign along the Peking-Hankow Railway started with a battle in the Chochow plain which resulted in such a crushing defeat for the Chinese

troops that they were unable to rally and reorganize themselves. On September 15th, the Japanese crossed the Yungting River in face of the enemy and surrounded the Chinese troops in the Chochow plain, dealing them an overwhelming blow. From Chochow to Paotingfu, the Japanese drove on, crossing rivers and traversing fields. Some idea of the fierce running fight which the Japanese gave the Chinese may be formed from the episode in which a Japanese soldier found his comrade dead in the morning after sleeping side by side during the night.

The Japanese gave siege to Paotingfu on September 24th, only a week after the Chochow battle. After taking Paotingfu easily, the Japanese advanced on Shuhkiachwang, where, falling back on strong defence works, the enemy had planned to offer its last resistance in Hopei Province. Shuhkiachwang fell on October 10th, the Chinese double tenth festival, despite a fervent appeal made that day by General Chiang Kai-shek to the Chinese forces to hold that important town.

Meanwhile, one Japanese detachment navigated the Tzeya River which flows between the Peking-Hankow and the Tientsin Pukow Railways, successfully overcoming many difficulties and covering 280 kilometres to cut off the Chinese retreat. Thanks to the clever coordinated movement between the main body of the Japanese force which swiftly drove south along the Peking-Hankow Railway and a detachment which made a detour to outflank the enemy, the Japanese troops crossed the border between Hopei and Honan Provinces and occupied Changteh, an important town on the Peking-Hankow Railway in Honan Province.

The Japanese force which drove south along the Tientsin-Pukow Railway encountered floods almost everywhere. The detachment which attacked Machang was in water for 18 hours. This detachment reduced Machang by marching through water breast-deep.

Tsangchow was taken on September 24th, the same day that Paotingfu fell. After occupying Tehchow and Yucheng, the Japanese reached the northern bank of the Yellow River on October 15th.

On December 23rd, the anniversary of the birthday of H I H the Crown Prince, the Japanese crossed the Yellow River in face of the enemy and took Tsinan, capital of Shantung Province. They saw the sunrise on New Year's Day at the base of Mount Taishan, from which they made a further southern drive to dominate Central Shantung.

### The Shansi Campaign

General Yen Hsi-shan, War Lord of Shansi Province, had assiduously strengthened the defence works of his province under the slogan, "Shansi for the Shansites," but his kingdom crumbled on November 9th when the Japanese captured Taiyuan, capital of the province. Prior to the capture of Taiyuan, the Japanese took Nankow Pass, Yenmen Pass, and Niangtze Pass which were proverbially known in China as impregnable. It took the Japanese three weeks to reduce Sinkowchen, the bulwark of Taiyuan, which fell on November 3rd.

### **Pacification of the Area North of the Yellow River**

On February 11th, Empire Day, the Japanese forces in Shansi Province and along the Peking-Hankow Railway resumed their operations which resulted in pressing back the Chinese troops to the south and west of the Yellow River. The Lung-Hai Railway, the west-to-east jugular vein of Chinese communications, was thus directly menaced, while not only the capitals of the five provinces in North China but almost all other important towns were taken by the Japanese. The Chinese people in North China were thus freed from the oppressive rule of the Chiang Kai-shek Régime.

Meanwhile, the Provisional Government of the Republic of China was established at Peking with Mr. Wang Ko-mun, veteran Chinese statesman, chosen as chairman of the Executive Committee by the leading citizens, whose aspirations were to build up new North China for the North Chinese, to free themselves and all Chinese from the Red menace and to reconstruct China under an anti-Comintern, pro-Japanese banner.

The successful organization of a new Government in North China means implicit confidence placed by the people of North China in the strength of the Japanese army as the result of the latter's splendid achievements. With the expansion of the Japanese military operations, more provinces will come under the jurisdiction of the Provisional Government, which is a token, so to speak, of the reconstruction and regeneration of China.

In this connection, it should be noted that the unrest felt by some sections of the public in Manchoukuo has been definitely dispelled by the Japanese domination of North China.

### **The Campaign in Central China**

When the North China Incident was expanded to Shanghai by further Chinese provocation, it was evidently the plan of the Nationalist Government to drive Japan into difficulty and isolate her internationally, by taking full advantage of the geographical position of Shanghai which favours the defender as well as the complicated international situation of the city. Fierce Japanese onslaughts, however, successfully overcame all strategical disadvantages, frustrating the Chinese designs, although the Japanese went through untold hardships and paid heavy sacrifices in taking every creek and building in the way.

The successful general attack started on Tachangchen on October 23rd sealed the fate of Greater Shanghai, the surprise landing of a large Japanese force on the northern shore of Hangchow Bay ensured the Japanese troops of complete domination of the region east of the great lake, Taihu.

The collapse of the Chinese positions at Fushan, Soochow and Wukiang presaged the imminent danger of Nanking, on which the Japanese forces drove from three routes, along the northern shore of Lake Tai, along the southern shore of the lake and along the Yangtze River. On December 13th, the Japanese forces captured Nanking, capital of the Chinese Nationalist Government. Fighting was immediately extended to the area north of the Yangtze River, where the Japanese occupied the southern section of the Tientsin-Pukow Railway from Pukow, southern terminus of the rail-

way, to Pengpu.

While military operations were in progress north of the Yangtze River, the New Government of the Republic of China was organized at Nanking on March 18, 1938 with Mr. Liang Hung-chih as chairman of the Executive Yuan. The Shanghai Municipal Government which was known as the Tatao Municipal Government was incorporated in the new administration.

The China Affair apparently entered a second phase with the Japanese domination of North China north of the Yellow River and the occupation of the Yangtze Valley in Central China.

### The Battle of Hsuehchow

General Chiang Kai-shek concentrated large forces along the Lung-Hai Railway, especially at Hsuehchow, the junction of the Tientsin-Pukow and the Lung-Hai Railways, whose defence works were strengthened. The Chinese military authorities declared: "The fate of China as a nation hinges on the battle of Hsuehchow." The Hankow Government represented the situation in southern Shantung Province as developing in favour of the Chinese troops and resulting in miserable defeat for the Japanese. Not only the people in China but also some people abroad apparently took the Chinese claim at its face value. The silence kept by the Japanese, however, was entirely due to strategic necessity, because they wanted to lure as many Chinese troops as possible to the Tientsin-Hsuehchow sector.

It is still fresh in the public memory how the Japanese northern and southern forces succeeded in carrying out an unprecedented pincer movement against Hsuehchow and how they dealt the Chinese a crushing blow.

The effects of the Hsuehchow battle are manifold and far-reaching. First, the mobility of the Japanese northern and southern forces has been increased; second, the fertile provinces of Anhwei and Kiangsu have come under Japanese influence; third, the proposed union of the new Peking and Nanking Governments is likely to be accelerated; fourth, the Chinese mendacious propaganda has been exploded; and fifth, foreign Powers have been given the chance to review their attitude toward the Chinese Nationalist Government.

In order to follow up the victory at Hsuehchow, the Japanese forces gave chase to the defeated Chinese troops which fled in various directions.

The Japanese force which drove westward along the Lung-Hai Railway was pressing hard on Chengchow, the junction of the Peking-Hankow and the Lung-Hai Railways, when the Chinese troops destroyed the dikes of the Yellow River in a desperate attempt to check the Japanese advance. As a result, 3,000 square miles were flooded, over 100,000 people including women and children were drowned and about 1,000,000 people were rendered homeless. Such shocking vandalism is but one manifestation of the Chinese "scorched earth" tactics which are consistently pursued by the Chinese military authorities in accordance with Communist advice.

Another Japanese military force, in cooperation with the Navy, went up the Yangtze River and stormed Anking, capital of Anhwei Province, seriously menacing Hankow.

By observing the map of China it will be readily seen that Hankow is

strategically encircled by Japanese forces. Complete domination of North and Central China by the Japanese Army is certain to mark a great change in the situation despite General Chiang Kai-shek's fond hopes for protracted warfare against Japan and despite the vast territory and large population of China.

### Losses of the Enemy

The numerical strength of the Chinese armies totalled about 2,000,000 men at the outbreak of the current Affair. When hostilities began, the Nationalist Government mobilized about 700,000 men in North China and about 800,000 men in Central China. Such have been the Chinese losses due to the fierce Japanese attacks that the Chinese casualties up to the battle at Hsuehow totalled 450,000 in North China and 500,000 in Central China.

The Chinese Central Army which formed the main part of the Chinese forces in Central China suffered heavy losses with the result that their fighting power was remarkably reduced. With the reorganization of the army effected through the activities of press gangs, the numerical strength of the Chinese forces is now estimated at about 1,100,000. Side by side with the reorganization of the army, the Chiang Kai-shek Régime started general armament, prompted by the desire to carry on guerilla warfare against the Japanese.

According to careful investigations up to May 10th, the Japanese Military Air Force alone destroyed 200 Chinese planes, including 175 shot down in air combats and 25 destroyed on the ground. In December, 1937, the Chinese air force had only 180 planes left, but their number has recently been increased somewhat. From time to time, Chinese planes appear over the first lines.

Classified by stages, the Chinese suffered about 240,000 casualties in North and Central China up to the end of September, 1937, when the Japanese crossed the Great Wall in northern Shansi Province in North China and when the Japanese vanguard advanced to the line between Louenchen and Liukiahang in the Shanghai area. Chinese losses totalled some 540,000 men about November 10th, 1937, when the Japanese occupied Taiyüan in North China and when the Japanese enveloped Greater Shanghai. The Chinese casualties reached 750,000 by the end of 1937, when the Japanese occupied Tsinan, capital of Shantung Province and Hangchow, capital of Chekiang Province, 950,000 by March 10, 1938, when the Japanese occupied Kanting on the left bank of the Yellow River, 950,000 prior to the start of the Japanese drive on Shantung, and 1,300,000 by June, 1938, including about 360,000 losses suffered during and after the Hsuehow battle.

### Spoils of War

The Japanese capture from the outbreak of the China Affair up to the present includes: 81,627 rifles, 1,530,000 rounds of ammunition, 5,668 light machine-guns, 1,180 heavy machine-guns, 11,950 Chinese swords, 5,644 bayonets, 577 field, cavalry and mountain guns, 73,633 field, cavalry

and mountain-gun shells, 752 trench-mortars, 13,153 hand grenades, 10 15-centimetre guns, 1,000 15-centimetre gun-shells, 4 24-centimetre gun-shells, 600 24-centimetre gun-shells, 57 anti-aircraft guns, 189 tanks, armoured cars, motor-cars and motor-lorries, 1,000 horses, 89 locomotives, 2,155 passenger-cars and freight cars, 20,000 dum-dum bullets, 13 tank-guns, 4 24-centimetre howitzers, and 8 armoured trains.

These figures are based on official reports, but it may be easily imagined that there may remain many items of capture on which investigations are not completed and consequently no official reports made.

### Occupied Area

The area in China under Japanese occupation extends over nine provinces, including one-fourth each of Chahar and Suiyuan Provinces, one-fourth each of Hopei, Shantung, Shansi and Honan Provinces, one-half each of Kiangsu and Anhwei Provinces and one-ninth of Chekiang Province. The occupied area totals 1,060,000 square kilometres, corresponding to 1.3 times the area of the Japanese Empire whose area is 675,000 square kilometres and to 4.6 times the area of the main island of Japan (Honshu) whose area is 230,000 square kilometres. The number of inhabitants in the occupied area is estimated at 132,000,000.

The guerilla fighters and bandits in the occupied area are reported to number 203,000, including 36,000 Communist bandits, 163,000 anti-Japanese bandits and 6,000 ordinary bandits, but their actual total number is estimated at one-third of the reported figure.

Chinese troops who have surrendered to the Japanese army total about 60,000 men. They are now fighting the bandits, having pledged their allegiance to the new government. The number of Chinese troops surrendering to the Japanese is on the increase.

### Rehabilitation in the Occupied Area

Rehabilitation work in the occupied area goes steadily on through co-operation between the Sino-Japanese authorities and the Chinese people. Much anxiety was felt concerning spring sowing in the area stricken by war and floods. The Provisional Government at Peking defrayed 470,000 yen to purchase seeds which were distributed among the peasants for sowing. Thanks to the timely assistance extended to the farmers by the Provisional Government, spring sowing was successfully carried out in the occupied area, even in Shansi Province which suffered most from the hostilities. The Japanese garrison at Sinhsien in northern Shansi Province lent its horses to peasants, who appreciated the help greatly.

At the same time, railway and other communication facilities have been restored, schools opened, new school books compiled and distributed and broadcasting stations opened. All this has served to add to the success of the rehabilitation work, creating a bright atmosphere everywhere.



### Comparisons of War Fronts

The war front, late in June, 1938, extended from Hangchow in the south through Ankung and Tsienshan on the Yangtze River and Chengyangkwan, Checheng and Kaufeng on the Lung-Hai Railway to the border of Shansi Province and also to the area northeast of Anpei which lies northwest of Paotow in Suiyüan Province, the western terminus of the Peking-Suiyüan Railway, a distance of about 2,250 kilometres. This is about three times as long as the western front during the European War which was about 790 kilometres long and about ten times as long as the front near Mukden during the Russo-Japanese war, 1904-5, which was only 230 kilometres long.

### Conclusion

The Japanese military action in China is directed against the Chiang Kai-shek Régime, not against the Chinese people. Its purpose is the establishment of lasting peace in the Far East and the formation of irrevocable co-operation between China and Japan.

The current Affair, therefore, cannot be settled by mere military force. While there is every indication that the present hostilities are developing into protracted warfare, Japan must throw the full weight of her entire national resources into the conflict now going on to crush the Chiang Kai-shek Régime. While vigorous military action is being pushed, Japan must put forth coordinated efforts to bring pressure on this régime along all other fronts, diplomatic, economic and ideological.

The anti-Comintern axis is now strongly established with further strengthening of the Tripartite Anti Comintern Pact between Germany, Italy and Japan. It may be observed that Japan's military successes in China are inducing some other countries to rally under the anti-Comintern banner.

Japan's military action is not intended to destroy, but on the contrary is designed to build a new material and moral culture by rectifying past blunders.

# THE CHINA AFFAIR IN REVIEW

## II

### ACTIVITIES OF THE IMPERIAL NAVY

PUBLICITY BUREAU, NAVY DEPARTMENT

During the past twelve months, the three arms of the Imperial forces, land, sea and air, have achieved an uninterrupted series of successes. They are now redoubling their efforts to attain the final goal of the present struggle.

If the Japanese operations leading to the capture of Nanking are regarded as forming the first phase of the China Affair and the operations resulting in the occupation of Hsuechow as forming the second phase, the Affair is then entering upon its third phase with the fall of Hankow, nerve centre of the anti-Japanese movement in China, as its objective.

At this time it is significant and important to review the activities of the Imperial Navy during the past twelve months and to survey the future outlook.

The activities of the Imperial naval forces have been manifold and complicated, but their major activities may be outlined as follows:

1. Securing command of the seas;
2. Activities of the Marines;
3. Activities of the Naval Air Force;
4. Suspension of traffic off the China coast to Chinese vessels;
5. Opening of a waterway in the Yangtze River;
6. Occupation of several strategically important places;
7. Co-ordinated operations with the Army.

Full mention has already been made of these activities, but they may be recapitulated on the occasion of the first anniversary of the outbreak of the China Affair.

#### Securing Command of the Seas

By the securing of command of the seas is meant utilization of the necessary seas for the existence and security of a state without foreign interference. This is the *raison d'être* and the mission of the Imperial Navy. This is the reason why the Imperial Navy must have an efficient fleet to crush the fleet of any aggressor Power in the Western Pacific.

Since the very beginning of the current hostilities, the Japanese Navy has secured the command of seas along the coast of China. The inferior Chinese fleet was bottled up in the Yangtze River or in Canton harbour where it was bombed, bombarded and destroyed.

The Whampoo and the estuary of the Yangtze River have been dominated by the Imperial Navy during the past year greatly facilitating the activities of the Japanese marines and troops. This action is but one of many sub-

stantial contributions made by the Japanese command of the seas to the splendid successes achieved by Japan's fighting services.

Were Japan's command of the Western Pacific to be shaken with the result that the Japanese line of communication in China waters became menaced, could the transport of Japanese troops be so successfully carried on and could the coordinated operations between the Japanese Navy and Army be so smoothly conducted? The answer to the query may be found in the abandonment of the Gallipoli operations on the part of the Allies during the European War as a sequel to the successful torpedoing by the German U-boat No. 21 of the British battleships *Triumph* and *Majestic* and the French cruiser *Amiral Charney*, while they were escorting transports which contained Allied troops, and also in the sad losses sustained by Japan during the war with Russia (1904-5) in the transports *Hitachu Maru* and *Sado Maru* which were sunk by the Russian fleet.

Again both the Japanese naval and military air forces might find it difficult to achieve their brilliant successes without Japan's command of the seas. Suspension of traffic along China's coast, about 2,850 miles long, too has been carried out effectively.

### Activities of the Marine Force

The Japanese Marine Force was remarkably active during the Sino-Japanese War (1894-5), the Russo-Japanese War (1904-5), the Tsingtao campaign in the European War (1914) and also during the first Shanghai incident (1932), but its activities in the current Affair are perhaps unrivalled in bravery in the history of marine forces.

When the Shanghai incident is mentioned, Japanese invariably recall the marine force, whose bravery and achievements at that time will occupy an important place in the history of the Japanese Navy.

The activities, however, of the marine force were not limited to the Shanghai area, but extended to other parts of China. Marines occupied Tsingtao, Chefoo, Weihaiwei, Amoy, and Lianyungang, the port town connected with Haichow, the eastern terminus of the Lung-Hai Railway. They also occupied Pratas Island, Chinmen Island and other strategically important islands off China. With the successful removing of booms and sweeping of mine-fields in the Yangtze, the marine force participated in the operations at various points on the river. It also made a substantial contribution to the capture of Nanking. Subsequently it made a surprise attack on Anking, the capital of Anhwei Province, and reduced it.

During the early part of the Shanghai incident, the Japanese special landing party, confronting enemy forces over a dozen times its numerical strength, successfully defended its long line and repulsed the attackers. The success of the Japanese Marine Force at Shanghai was miraculous, if not providential. The Japanese special landing party at Shanghai had gone through hard training and had been inspired with grim determination to protect Japanese residents before the onslaughts of the Chinese troops with their superior numbers. This special landing party formed the nucleus of the Japanese Marine Force in Shanghai which was later reinforced with marines from home and from various warships. The marine force not only

withstood the Chinese attacks for over 70 days, but finally succeeded in driving the enemy away from the Greater Shanghai area.

### Activities of the Naval Air Force

On August 13th, 1937, when hostilities started between the Japanese and Chinese forces at Shanghai, the Japanese Naval Air Force made a transoceanic flight and raided Nanking and other important points. Since then the Naval air force has been increasingly active in combating and destroying enemy aeroplanes, destroying the Chinese Navy, bombing military establishments throughout China, disrupting the enemy lines of communication and also in cooperating with the Japanese ground forces.

In definite figures, the Naval Air Force raided Nanking over 50 times and dropped over 160 tons of explosives, the aggregate number of planes which participated in the raids amounted to 1,200.

Up to the end of 1937, the total number of naval planes which cooperated with the Japanese ground forces in Central China with Nanking excluded were about 6,000 and the explosives dropped totaled over 900 tons. The aggregate number of naval planes which participated in raids all over China were over 13,000, including about 500 which raided Canton, about 900 which attacked the Canton-Hankow and the Canton-Kowloon railways and about 660 which were active along the Lung-Hai and the Tientsin-Pukow Railways. The Chinese planes shot down in aerial combats exceeded 500.

During 1938, the Japanese Naval Air Force has increased its activities and has successfully secured the command of the air throughout China.

During the month of May alone, the Naval Air Force made about 1,800 raids at various points in North and Central China and dropped over 900 tons of explosives.

Up to May 31st, the Naval Air Force had suffered the loss of 84 planes. The following damage had been dealt to the Chinese air force.

	Confirmed number	Unconfirmed number	Total
Chinese planes shot down in combat	371	31	469
Chinese planes destroyed on the ground	450	31	501
Total	827	107	974

### Suspension of Traffic to Chinese Vessels

The suspension of traffic proclaimed by the Japanese Navy on August 23th, 1937 to the Chinese vessels off the China coast extending from Shan-haikwan at the border between North China and Manchoukuo down to the border between South China and French Indo-China, a distance of about 2,850 miles, is still enforced.

Difficulty accompanies the efforts of the Japanese Navy to patrol such a large area with the limited number of craft available. None the less, the Navy is effectively enforcing suspension of traffic to the Chinese vessels, fighting against the elements, the snow and wind in northern waters and

the sweltering heat in southern waters.

Vessels under the flags of third Powers often break through the Japanese suspension of traffic, which is a peace-time blockade, and supply arms and ammunition to the Chiang Kai-shek Régime, assisting in the latter's anti-Japanese operations and at the same time reaping enormous profits.

It must not be thought, however, that the Navy overlooks such sinister activities of the vessels of third Powers. Its vigilant patrol force obtains a definite idea of imports into China, on the basis of which the air force starts its activities and attacks the communication lines on land, thus effectively making up for the defects of the peace-time blockade. The remarkable activity of the Japanese Naval Air Force in South China is necessitated by the above-mentioned circumstance.

The peace-time blockade has already been enforced ten months with its effects keenly felt by the Chiang Kai-shek Régime. Hundreds of Chinese vessels have been halted and visited; China's foreign trade has decreased remarkably, the supply not only of war materials but also of daily necessities including clothes and provisions has been interrupted with the result that prices of commodities have suddenly risen, adding to the difficulty of living.

The finances of the Nationalist Government have become strained with such important sources of income as the customs revenue and salt tax cut off. Its specie holding abroad is reported to have been irreparably drained.

### Opening a Waterway in the Yangtze River

The Japanese Navy in the Yangtze River has been active since the middle of November, 1937. It destroyed the Chinese forts and positions on the estuary of the Yangtze, including Kuangyin Fort, it sunk a large number of Chinese warships and armed junks, it swept mine-fields, it removed booms, it covered the military forces in landing at various points on the estuary. At 3.40 p.m., December 13th, a naval force reached Nanking and occupied Siakwan and Pukow, thus cutting off the retreat of the enemy. In cooperation with the Army attack on Nanking, this naval force routed over 10,000 Chinese soldiers near the city.

Following the capture of Nanking, the Japanese naval force immediately started its drive upstream. It reached Wuhu by destroying all the Chinese positions in the way. On January 10th, the naval force advanced as far upstream as Tikang, about 40 kilometres above Wuhu and removed the strong boom near Liutouchen. On January 16th, it approached Tatung, where the enemy had set up a base for mine-laying operations. Defying attacks by the Chinese bombers which flew from Hankow or Nanchang, the naval force bombarded Chinese positions on either bank of the Yangtze, demoralizing the enemy and steadily advancing upstream.

On June 12th, this force in cooperation with the naval planes and military units swooped down on Anking, the capital of Anhwei Province, and effected a landing in face of the enemy. After hard fighting, the Japanese marine force occupied the town.

The naval force on June 14th again occupied a strategically important

town at a point about 20 kilometres upstream from Anking, facilitating the Japanese drive on Hankow.

### Occupation of Important Points

Taking full advantage of its mobility, the Imperial Navy, in cooperation with the Army or single-handed, has occupied a number of strategically important points on the Chinese coast and along the Yangtze Valley as well as many islands. The major points occupied include .

- (a) Pratas Island, which was occupied by a marine force on September 5rd, 1937.
- (b) Chunmen Island, which was occupied by a marine force on October 26th, 1937.
- (c) Tsiaoshan, which was occupied by a marine force on December 11th, 1937.
- (d) Tsingtao, which was taken by a marine force on January 10th, 1938.
- (e) Chefoo, which was occupied by a marine force on February 3rd in cooperation with the Army.
- (f) Weihaiwei, which was taken by a marine force on March 7th, 1938.
- (g) Amoy Island, which was completely occupied by a marine force on May 13th, 1938. This force landed on the eastern coast of the island in face of the enemy on May 10th.
- (h) Lienyunchiang, port-town connected with Haichow, the eastern terminus of the Lung-Hai Railway, which was completely occupied by the Marines on May 23rd. The marine force, covered by a naval force and naval air units effected a landing on Tunglien Island and Lienyunchiang on May 20th.
- (i) Anking, the capital of Anhwei Province, which was occupied by a marine force on June 12th, 1938, in cooperation with the military force.
- (j) Namoa Island off Swatow, which was occupied by a marine force on June 23rd, 1938. The Marines landed on the island on June 21st.

### Cooperation with the Army

Since the very beginning of the China Affair, close cooperation and co-ordination have been maintained between the Imperial Navy and Army with the result that every operation has been marked with unity between the two fighting services.

Cooperation between the Navy and Army has appeared in the naval escort of military transports, covering of troops in landing in face of the enemy and participation of the Naval Air Force, the naval force in the Yangtze River and marine forces in the attacks conducted by the troops on enemy positions.

The Navy has successfully covered the landing of troops at various points in face of the enemy. The most significant of these was the Japanese landing on the northern shore of Hangchow Bay which sealed the fate of Greater

Shanghai. The landing was effected at dawn, November 5th, 1937 in spite of a strong current and a dense fog which prevailed.

No less remarkable has been the activity of the Naval Air Force which has made substantial contributions to the favourable development of the war situation as a whole, particularly to the splendid successes achieved by the Japanese Army in the hinterland.

It should be added, that the Yangtze River, several hundred miles long, has greatly facilitated cooperation and coordination between the operations of the Imperial Navy and Army. Thanks to the great river, naval and marine forces are able to cooperate with the military forces in their operations in the hinterland of China. Utilization of the river, however, has been due entirely to the command of the seas secured by the Imperial Navy in the Western Pacific.



## MOBILIZATION OF MATERIALS

PRIME MINISTER'S DEPARTMENT

**T**O attain the ultimate purpose of her present action in China Japan must administer a comprehensive blow to the Nationalist Régime in all phases of hostilities, the armed, the economic, and the spiritual, giving it no opportunity for counter action or for continued existence. This cannot be done unless all material resources of the Japanese Empire and the economic and financial aspects of national life be thoroughly organized on a wartime basis.

This type of national mobilization is necessary for the maintenance as well as the expansion of national strength. The individual, accordingly, is called upon to practise self-sacrifice in respect to the necessities of life. The adoption of such principles and their actual practice constitute a matter of first importance. There should exist a community of purpose, sentiment and even experiences in hardships and privations between the soldiers on the China front and the entire population on the home front.

A modern war is totally different from a war in the past. Today, hostilities are not confined to those between armed forces alone but are extended to those between all forces of the belligerents. Nothing short of comprehensive national mobilization can ensure ultimate victory.

In the light of these considerations, the Japanese Government issued an important statement on June 23rd, framed at an extraordinary meeting of the Cabinet on that date.

### **The Government Statement on Mobilization of Materials**

A final solution to the China Affair remains remote in spite of the fall of Hsuechow, significant as that has been. The Imperial Army and Navy, now operating with forces of unprecedented number and strength, have been fighting vigorously on land, sea and in air to bring about the complete collapse of the Nationalist Government, which has professedly adopted the strategy of long-term resistance, relying on the assistance of third Powers.

At this momentous hour in the history of the Japanese Empire the first requirement is to consolidate the home front by organizing all national policies on a wartime basis. Full preparation must be made for prolonged hostilities; the nation must concentrate upon

the single task of achieving the ultimate purpose of the military action, which is to establish enduring peace in East Asia.

Our immediate attention is therefore being given to an adequate and efficient control of materials. It has become increasingly necessary to intensify and perfect, at whatever cost, measures for promotion of exports, increase of production and control of distribution and consumption. Accordingly, the Government has framed a plan concerning the supply and demand of materials, giving rights of priority to those required for munitions and exportation. The Government also has decided to carry out the following measures which are deemed necessary for the execution of its plan, thereby ensuring an unassailable national defence and a stability in national economy.

The Government undertakes :

1. To lower prices by adopting a standard or official-price system and by intensifying measures for exercising economy in consumption and for controlling distribution ; to take urgent steps to curb further rises in certain prices , to assure supply of munition materials ; to promote exports ; to safeguard the economic life of the nation and to maintain present rates of exchange.

2. To exercise economy so far as possible in consumption of materials in general, in particular, with regard to imported materials where measures such as restriction or prohibition of their consumption or compulsory use of substitutes are to be adopted in order to economize in the consumption of materials for non-urgent purposes and for home consumption.

3. (a) To ensure imports of raw materials for export goods by linking the export of manufactured goods and the import of their raw materials and by other means. (b) To prevent the diversion of raw materials for export goods to home consumption by distinguishing between imported materials for export goods and those for home consumption.

4. To foster commercial, industrial and other associations for the purpose of assuring adequacy, impartiality and smoothness in the importation and distribution of essential materials.

5. To promote and make popular the practice of saving

6. By the joint endeavours of Government and people, to establish simple modes of living and social customs which can be adopted in time of emergency.

7. To carry out drastic measures to increase production of essential materials, particularly minerals.

8. To take necessary steps for the promotion of efficiency in the munition industry, such as the adoption of the shift system and the

rapid recruiting of workers.

9. To make organized efforts to collect waste materials through the cooperation of various organizations other than those engaging in such business.

10. To carry out measures facilitating changes in occupations and giving relief to the unemployed caused by such changes.

### **Articles Placed under Restrictive Consumption**

Material resources which will be placed under intensified restriction of consumption, particularly home consumption, are as follows : steel materials, pig-iron, gold, platinum, copper, yellow metal, zinc, tin, nickel, antimony, mercury, aluminium, asbestos, cotton, wool, pulp, paper, hemp tissues, skins and hides, timber, heavy oil, naphtha, crude rubber, tannin materials, salt for industrial use, benzol, toluol, carbonic acid, nitrate of soda, potash and phosphorite.

## THE TREND OF POSTAL SAVINGS DEPOSITS

### SAVINGS DEPOSIT BUREAU

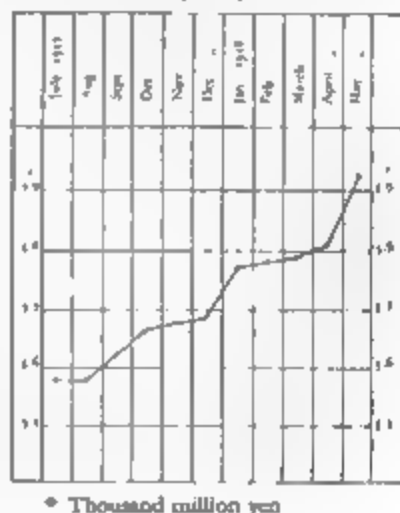
**M**ARKED increases have been registered in deposits in various savings institutions reflecting the emergency conscious attitude of the people on the home front as national life is placed on a wartime basis. Deposits of postal savings have continued to maintain a rising tendency. At the end of May, 1938, the number of depositors stood at 33,000,000; the total amount of deposits reached 3,930 million yen representing a huge gain of 420 million yen during the 11 months which elapsed after the outbreak of the China Affair.

As is indicated in the accompanying chart, the amount of deposits which was 3,510 million yen at the end of June, 1937 immediately preceding the occurrence of the North China Incident, showed a slight contraction in August but in each of the subsequent months it showed a substantial gain. In September it reached the level of 3,600 million yen; in January, 1938 the total became 3,700 million yen. In April this amount rose to the 3,800 million yen level and in May to the level of 3,900 million yen, including the interest accumulated during 1937 amounting to 95 million yen. This increase of several hundred million yen within a short space of time creates a record in the annals of the postal savings deposit system.

Postal savings deposits constitute approximately 70 per cent of the total funds of the Deposit Bureau of the Department of Finance; they contribute not only to bond assimilation which is an extremely important factor in the execution of wartime financial and economic measures, but also form important sources of funds for low interest loans granted for various undertakings in different localities. Hence it is encouraging to note the upward trend in these postal savings deposits.

However, the amount per capita of postal savings figured on the

Chart Showing Increase in Postal Savings Deposits



basis of the above-mentioned total is only 70 yen, which sum is far below the corresponding one in other leading nations of the world. This may be ascribed to differences in conditions between Japan and other countries and also to variations in the postal savings system itself. It would be injudicious to determine the degrees of wealth of nations on this basis alone. Yet in Japan it seems necessary to increase still further the amount of postal savings deposits which can be utilized extensively for the benefit of the masses. In order to facilitate the present national savings encouragement movement, the Savings Deposit Bureau has established the System for Collection of Savings and the System to Receive Deposits Outside the Post Offices, both of which will be put in operation shortly. These are the features of the two systems.

### **System for Collection of Savings**

This system is similar to the existing Monthly Instalment Savings System which is operated in rural communities. Its provisions are :

1. A certain sum of money (2, 3, 5, 7 or 10 yen) is deposited with the collector each month (monthly deposits need not be the same amount) until the accumulated deposits reach a certain fixed sum (100 yen or more). The deposits may not be drawn upon until they reach a certain total. The receipt for a deposit is given at once by the collector who stamps the amount on the depositor's pass-book.
2. The interest rate on this class of savings is 2.76 per cent per annum, which is the same as that on ordinary postal savings deposits.

### **System to Receive Deposits Outside the Post Offices**

This system was originally created in 1899. Although it gave fairly good results, it was abolished in 1931 for certain reasons. However, it has now been reinstated as a measure to promote postal savings. Under this system, representatives of post offices shall be on duty to receive deposits on certain fixed days at governmental offices, companies, schools, factories and other places where depositors may gather.

## Monthly Record of Postal Savings Deposits

		No. of Depositors (In 1,000)	Amount of Deposits (In ¥1,000)	Increase Over Previous Month	
				Depositors	Deposits
July	1937	51,522	3,576,445	535	65,138
Aug.		51,654	3,575,878	131	566
Sept.		51,829	3,616,761	175	40,883
Oct.		52,144	3,662,829	315	40,076
Nov.		52,586	3,678,101	441	15,272
Dec.		52,870	3,685,691	285	7,590
Jan.	1938	53,373	3,774,082	502	88,590
Feb.		53,832	3,794,091	459	20,008
March		54,065	3,798,765	233	4,673
April		54,560	3,813,140	494	14,375
May		55,583	3,937,412	1,022	124,271
Total		—	—	4,391	426,105

## Postal Savings Deposits in Leading Countries of the World

Countries	Depositors (In 1,000)	Deposits (In ¥1,000)	Amount Per Capita (In yen)	Time of Survey
Japan	55,583	3,937,412	70.84	May 31, 1938
Britain	9,323	6,055,783	649.55	Dec. 31, 1934
United States	2,705	4,210,844	1,556.60	Dec. 31, 1935
France	10,257	3,917,538	382.67	Dec. 31, 1936
Italy	12,209	4,182,557	342.54	Dec. 31, 1936
Belgium	5,694	1,907,422	354.94	Dec. 31, 1936

## JAPAN'S REPRESENTATION TO THE POWERS CONCERNED

—Regarding the Protection of the Lives and Property  
of Nationals of Third Powers in China —

ON the evening of June 20th, the spokesman of the Foreign Office announced that General Kazushige Ugaki, Minister for Foreign Affairs, sent official notes to foreign diplomatic representatives on that day. These notes called attention to a possible remarkable expansion of the zone of hostilities in China and requested the Powers concerned to take appropriate measures to safeguard the security of the lives and property of their nationals in that zone.

In substance the notes read :

"With the development of hostilities in China, the area south of the Yellow River and east of the line connecting Sian, capital of Shensi Province, Ichang in Huper Province, Hengyang in Hunan Province and Pakhoi on the Gulf of Tonking, except the region under Japanese occupation, foreign leased territory and concessions, is likely to become a danger zone. The Japanese Government wishes to prevent misfortunes befalling foreign residents and their property in the above-mentioned area on account of the Sino-Japanese hostilities. It is highly desirable, therefore, that the foreign nationals residing in this specified area and the caretakers of their property carry out the following :

"(a) Foreigners and foreign vessels remaining in the above-mentioned area do not approach the Chinese military establishments.

"(b) Foreign properties in the above-mentioned area be provided with clear aerial and land marks and their locations be promptly communicated to the Japanese authorities in China.

"(c) No Chinese military or naval force be allowed to utilize or approach the foreign property in the zone where hostilities are actually going on, otherwise the Japanese force will be compelled to attack it and will be unable to assume responsibility for its protection.

"The Japanese Government desires that the Powers concerned advise their nationals and vessels in the above-mentioned area to that effect



"It is hardly necessary to mention that the Japanese Government is not compelling the Powers concerned to accept its wish, but it may be added that it is highly desirable for foreigners resident in the above-mentioned area, if possible, to withdraw from the area where hostilities are actually taking place to safer districts in order to prevent outbreaks of various unfortunate incidents from overtaking them.

"In view of the necessity felt by the Japanese forces for making aerial bombings on Chinese military establishments even outside the above-mentioned area, locations of those foreign properties and interests which have not yet been communicated to the Japanese Government should be informed to the Japanese authorities with distinct aerial marks provided. The Japanese Government will deeply appreciate the favour if the Powers concerned advise their nationals not to approach Chinese military establishments.

"The Japanese forces have hitherto often found some aerial marks indistinct. Therefore, the Japanese Government hopes that the Powers concerned will give heed to this point in order to make the aerial marks more distinct.

"This representation is prompted by the sincere desire on the part of the Japanese Government to prevent misfortunes from befalling foreign residents and their property in China as a result of the development of military action and also to prevent the outbreak of unpleasant incidents. The Japanese Government hopes that the Powers concerned may fully understand the circumstances and pay consideration to the representation."

## **LAWS AND ORDINANCES RECENTLY PROMULGATED**

**PRIME MINISTER'S CABINET**

### **Imperial Ordinance Concerning Special Appointments to the Board for Protection of Wounded Soldiers**

(Imperial Ordinance No. 261, Promulgated on April 18, 1938)

Owing to the China Affair, the number of wounded soldiers is now considerable. Measures for their protection must be established and carried out. Such measures should provide also for the wounded in previous wars or hostilities. Medical and surgical treatments, recuperative facilities, vocational guidance and other matters requiring specialized handling are involved. To operate these measures successfully the Government has created the Board for Protection of Wounded Soldiers under the supervision of the Department of Welfare. The organization of the Board consists of a governor's secretariate, a bureau of planning and an executive bureau. The personnel is headed by a governor assisted by a vice-governor, two bureau chiefs, a private secretary to the governor, 13 secretaries, 10 technical experts and as many as five advisors. A certain number of councillors and committee-men are also attached to the Board.

Of this personnel, certain secretaries may be appointed from among Government officials of the "hannun" or higher ranks. The vice-governor, bureau chiefs and other secretaries may be appointed from among those qualified through knowledge and experience for their respective duties.

### **Imperial Ordinance Concerning the Price Commission**

(Imperial Ordinance No. 276, Promulgated on April 22, 1938)

The purpose and details of this Ordinance are explained in the article entitled "Price Control" appearing in the present number of *Tokyo Gazette*.

**Law Concerning the North China Development Company, Limited****Law Concerning the Central China Promotion Company, Limited**

(Laws Nos. 81 and 82, Promulgated on April 30, 1938)

The North China Development Company has been created to accelerate economic development and to consolidate and adjust such undertakings in North China. The business of the company is to invest in and finance leading enterprises in transportation, harbour and port improvements, communications, electric power generation and transmission, mining, production and sale of salt and allied undertakings. The company is capitalized at 350,000,000 yen, of which half is subscribed by the Government and the other half by private interests. The firm is empowered to issue debentures to an amount five times its paid-up capital.

The business of the Central China Promotion Company is to invest in and offer financial accommodations to enterprises in transportation, communications, supply of electricity, gas and water, mining, fishing, and other lines in order to assist the economic rehabilitation and development of Central China. The company is capitalized at 100,000,000 yen, to which the Government subscribes jointly and equally with private interests. This company, also, is empowered to issue debentures to an amount five times its paid-up capital.

The Government recognizes the right of these two companies to declare preferential dividends on shares owned by private interests. It will subsidize the companies for a certain period to enable them to maintain payment of dividends on privately owned shares.

**Imperial Ordinance Concerning Organization of the  
National Mobilization Council**

(Imperial Ordinance No. 319, Promulgated on May 4, 1938)

Article 50 of the National Mobilization Law prescribes that a National Mobilization Council shall be established to make recommendations (on important matters other than military secrets) to the Government on important affairs concerning the execution of the Law, and that rules governing such a council shall be fixed by Imperial Ordinance. The Council has been set up in accordance with this provision. It has a president (the Prime Minister), a vice-president (head of the Board of Planning), and approximately 50 members who are appointed from among senior officials in various governmental institutions, members of the House of Peers and the House of Representatives, and private persons with the necessary qualifications. Temporary members may be appointed when deemed necessary in order to conduct investigations and studies on special matters. The Council has been operating since May 5, 1938.

**Imperial Ordinance Concerning Organization of the  
Temporary Materials Adjustment Bureau**

(Imperial Ordinance No. 324, Promulgated on May 9, 1938)

In the present emergency, it is imperative that adequate supplies of materials for purposes of national defence be secured. The Temporary Materials Adjustment Bureau has been created to conduct surveys and to formulate concrete plans concerning adjustment in supply and demand of essential materials and concerning the smooth operation of national economy. The Minister of Commerce and Industry is the ex officio chief of the Bureau; the vice-chief is appointed by Imperial nomination from among senior officials. The Bureau has 15 secretaries, 34 technical experts, 51 assistants, 30 clerks, and several councillors. Eight additional secretaries are appointed from among Army and Navy officers, while others may be appointed from among senior officials of various governmental institutions. The Bureau is empowered to appoint a committee consisting of those with specialized knowledge and experience to conduct investigations on special matters.

**Imperial Ordinance Concerning Organization of Commission  
to Aid and Protect the Businesses of Tradespeople  
Called to the Colours**

(Imperial Ordinance No. 397, Promulgated on June 4, 1938)

This Commission has been created to conduct investigations and studies concerning effective and appropriate measures to be taken in aid and protection of the businesses of small tradespeople called to the colours. The Commission will effect unity between the various institutions concerned. It is under the supervision of the Department of Commerce and Industry. Besides these functions, the commission may make recommendations to the competent authorities regarding matters relating to tradesmen who have been called. The Vice-Minister of Commerce and Industry is ex officio chairman of the Commission which consists of 15 permanent members and certain temporary members who are appointed by the Government from among senior officials in Government service and from private persons with experience and knowledge in such matters.

**Imperial Ordinance Concerning Organization of Commission  
to Promote Savings**

(Imperial Ordinance No. 402, Promulgated on June 6, 1938)

This Commission has been created to conduct investigations and studies concerning the promotion of savings on the part of the people. It functions under the supervision of the Minister of Finance. The Commission is empowered to make recommendations to the Ministers concerned. The Minister of Finance is *ex officio* chairman of the Commission, which consists of members chosen from among senior officials in Government service, members of the House of Peers and the House of Representatives and private persons with knowledge and experience in pertinent matters.

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